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DEPARTMENT OF
TRADE AND DEVELOPMENT

950 YONGE STREET
TORONTO 5,
CANADA

Statements and speeches
STATEMENT BY THE HONOURABLE ALLAN GROSSMAN

MINISTER OF TRADE AND DEVELOPMENT

ON

CHANGES IN PROGRAMS ADMINISTERED BY THE

ONTARIO DEVELOPMENT CORPORATION
MAY 6TH, 1971

AS ANNOUNCED IN THE SPEECH FROM THE THRONE, THE POLICIES OF THE ONTARIO DEVELOPMENT CORPORATION WILL BE BROADENED TO GIVE PREFERENCE TO CANADIAN OWNED COMPANIES REQUIRING FINANCIAL ASSISTANCE. IN HIS RECENT BUDGET ADDRESS, THE TREASURER OF ONTARIO ANNOUNCED A 5% TAX CREDIT FOR INVESTMENT IN MACHINERY AND EQUIPMENT AS AN INCENTIVE TO COMPANIES IN ONTARIO. THE MEASURES THAT I AM ANNOUNCING TODAY WILL FURTHER ENCOURAGE CANADIAN ENTERPRISE AND OWNERSHIP.

EQUALIZATION OF INDUSTRIAL OPPORTUNITY PROGRAM

THE INCENTIVES UNDER THE EQUALIZATION OF INDUSTRIAL OPPORTUNITY PROGRAM WILL BE AMENDED TO PROVIDE INCREASED AID TO CANADIAN OWNED INDUSTRY ESTABLISHING NEW PLANTS OR EXPANDING. CANADIAN COMPANIES THAT QUALIFY IN OUR SLOW GROWTH AREAS WILL BE ELIGIBLE FOR PERFORMANCE LOANS OF 50 PER CENT OF THE COST OF NEW PLANT AND EQUIPMENT. PRESENTLY, LOANS ARE PROVIDED ON THE BASIS OF ¹ 33 / 3 PER CENT OF THE FIRST \$250,000 AND 25 PER CENT ON THE BALANCE. IN EFFECT, THE NEW POLICY WILL PROVIDE AN INCENTIVE BONUS OF 50 PER CENT TO 84 PER CENT TO CANADIAN OWNED COMPANIES (DEPENDING ON SIZE OF INVESTMENT) OVER WHAT WILL BE AVAILABLE TO NON-CANADIAN COMPANIES.

FOR EXAMPLE:-

1. COST OF NEW BUILDINGS AND EQUIPMENT \$250,000

PERFORMANCE LOAN FOR CANADIAN COMPANY
UNDER EXISTING PROGRAM IS CALCULATED
AS FOLLOWS:-

¹
33 /3 PER CENT OF \$250,000 \$ 83,333

PERFORMANCE LOAN FOR CANADIAN COMPANY
UNDER PROPOSED NEW PROGRAM:-

50 PER CENT OF \$250,000 \$125,000

INCREASE FOR CANADIAN COMPANY IN
PERFORMANCE LOAN \$ 41,667

PERCENTAGE INCREASE OVER PERFORMANCE
LOAN UNDER EXISTING PROGRAM 50%

A FOREIGN OWNED COMPANY WOULD CONTINUE TO BE ELIGIBLE FOR
A PERFORMANCE LOAN OF \$83,333.

ANOTHER EXAMPLE OF HOW CANADIAN COMPANIES WILL BENEFIT
UNDER THIS PLAN IS AS FOLLOWS:-

2. COST OF NEW BUILDINGS AND EQUIPMENT \$1,000,000

PERFORMANCE LOAN UNDER EXISTING
PROGRAM FOR CANADIAN COMPANY IS
CALCULATED AS FOLLOWS:-

¹
33 /3% OF \$250,000 \$ 83,333

25% OF \$750,000 \$187,500

PERFORMANCE LOAN UNDER EXISTING PROGRAM \$ 270,833

PERFORMANCE LOAN FOR CANADIAN COMPANY
UNDER PROPOSED NEW PROGRAM

50% OF \$1,000,000 \$ 500,000

INCREASE FOR CANADIAN COMPANY IN
PERFORMANCE LOAN \$ 229,167

PERCENTAGE INCREASE OVER PERFORMANCE
LOAN UNDER EXISTING PROGRAM 84.6%

A FOREIGN OWNED COMPANY WOULD CONTINUE TO BE ELIGIBLE FOR
A PERFORMANCE LOAN OF \$270,833.

AID TO SMALL BUSINESS

A NEW SMALL BUSINESS LOANS PROGRAM WILL BE INTRODUCED. THE AIM IS TO ASSIST SMALL COMPANIES TO EXPAND, TO CREATE EMPLOYMENT, TO ESTABLISH OR INCREASE EXPORTS, TO REPLACE IMPORTS AND GENERALLY, TO STIMULATE ECONOMIC GROWTH IN ONTARIO. AS A GENERAL GUIDELINE, A SMALL BUSINESS WILL BE DEFINED AS ONE IN WHICH THE OWNERS' INVESTMENT DOES NOT EXCEED \$300,000. PREFERENCE WILL BE GIVEN TO LABOUR INTENSIVE INDUSTRIES.

WHEREAS TERM LOANS UNDER THE EXISTING PROGRAM ARE CONFINED TO THE SLOW GROWTH AREAS, THE NEW PROGRAM WILL ENSURE THAT SMALL BUSINESSES LOCATED ANYWHERE IN THE PROVINCE WILL ALSO BE ELIGIBLE. THUS, SMALL CANADIAN OWNED INDUSTRIES, REGARDLESS OF THEIR LOCATION WITHIN THE PROVINCE, WILL BE CONSIDERED FOR TERM LOANS OF UP TO \$50,000. SUCH LOANS MAY RUN FOR AS LONG AS TEN YEARS AT O.D.C.'S PREVAILING RATE OF INTEREST.

THE TYPES OF COMPANIES ELIGIBLE WILL BE BROADENED TO INCLUDE NOT ONLY MANUFACTURING CONCERNS, BUT ALSO SOME SEGMENTS OF SERVICE INDUSTRIES WHICH ARE CLOSELY ALLIED TO MANUFACTURING, SUCH AS CANNING INDUSTRIES AND OTHER SEGMENTS OF THE FOOD PROCESSING INDUSTRY, MACHINE SHOPS, PRINTING AND ALLIED TRADES.

"VENTURE CAPITAL FOR CANADIANS" FUND

A "VENTURE CAPITAL FOR CANADIANS" FUND WILL BE ESTABLISHED. THIS RISK CAPITAL WILL BE AVAILABLE TO SMALL CANADIAN OWNED BUSINESSES WITH GOOD GROWTH POTENTIAL IN ONTARIO.

THE FUND IS INTENDED TO ASSIST COMPANIES CAPABLE OF INTRODUCING NEW TECHNOLOGY AND PRODUCTS THAT WILL DIVERSIFY OUR ECONOMY. O.D.C. WILL WORK IN CLOSE CO-OPERATION WITH THE ONTARIO RESEARCH FOUNDATION AND OTHER SCIENTIFIC ORGANIZATIONS FOR THIS PURPOSE.

THE FUND WILL ALSO BE AVAILABLE TO SMALL CANADIAN BUSINESSES TO ESTABLISH OR INCREASE MARKETS ABROAD. CANADIAN COMPANIES WISHING TO ENTER INTO JOINT VENTURES WITH FOREIGN MANUFACTURERS AND NEEDING RISK CAPITAL TO MATCH THE CAPITAL AVAILABLE FROM THEIR PROSPECTIVE PARTNERS WILL LIKEWISE BE ELIGIBLE. ALL COMPANIES SEEKING "VENTURE CAPITAL FOR CANADIANS" WILL HAVE TO DEMONSTRATE THAT THEY HAVE HAD DIFFICULTIES IN OBTAINING THIS RISK CAPITAL ELSEWHERE IN CANADA. NORMALLY VENTURE CAPITAL INVESTMENT BY O.D.C. IN ANY ONE COMPANY WILL BE UP TO \$100,000.

WE RECOGNIZE THE RISKS INVOLVED IN THIS KIND OF FINANCING. BUT WE KNOW THAT BY EXPRESSING SUCH TANGIBLE CONFIDENCE IN CANADIAN VENTURES WE WILL BE PROVIDING OPPORTUNITIES FOR SKILLED CANADIANS TO DEVELOP THE ONTARIO INDUSTRIES OF THE FUTURE AND TO ENTER WORLD MARKETS. ALSO THIS SHOULD MAKE SUCH COMPANIES LESS SUSCEPTIBLE TO FOREIGN ACQUISITION. A NEW SECTION WILL BE SET UP IN O.D.C. TO ADMINISTER THE "VENTURE CAPITAL FOR CANADIANS" FUND.

THIS FUND, LIKE THE OTHER FORMS OF EXPANDED FINANCIAL ASSISTANCE OFFERED UNDER THE NEW PROGRAMS FOR ECONOMIC DEVELOPMENT, WILL FOSTER CANADIAN GROWTH AND ENTERPRISE.

THE FIRST OF THESE IS THE FACT THAT THE
ECONOMY OF THE UNITED STATES IS A
FREE MARKET ECONOMY. THE SECOND IS
THE FACT THAT THE UNITED STATES IS A
DEMOCRATIC COUNTRY. THE THIRD IS THE
FACT THAT THE UNITED STATES IS A
COUNTRY OF OPPORTUNITY. THE FOURTH IS
THE FACT THAT THE UNITED STATES IS A
COUNTRY OF INDEPENDENCE. THE FIFTH IS
THE FACT THAT THE UNITED STATES IS A
COUNTRY OF JUSTICE. THE SIXTH IS THE
FACT THAT THE UNITED STATES IS A
COUNTRY OF FREEDOM. THE SEVENTH IS
THE FACT THAT THE UNITED STATES IS A
COUNTRY OF PROGRESS. THE EIGHTH IS
THE FACT THAT THE UNITED STATES IS A
COUNTRY OF HONOR. THE NINTH IS THE
FACT THAT THE UNITED STATES IS A
COUNTRY OF FAITH. THE TENTH IS THE
FACT THAT THE UNITED STATES IS A
COUNTRY OF LOVE.

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